



## ADMINISTRATIVE SERVICES DEPARTMENT

### MEMORANDUM

**DATE:** January 14, 2013

**TO:** The Oversight Board of the Successor Agency to the Former Temple City Redevelopment Agency

**FROM:** Tracey L. Hause, Administrative Services Director

**SUBJECT: STATURORY DUE DILIGENCE REVIEW IN ACCORDANCE WITH AB 1484 (ALL OTHER FUNDS)**

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#### **RECOMMENDATION:**

- a) Receive a verbal report from staff;
- b) Receive public input; and
- c) Close the public comment session for public input pertaining to the Non-Housing All Funds DDR Report (DDR); adopt Resolution No. OB – 7, “A Resolution of the Oversight Board for the Successor Agency to the Temple City Community Redevelopment Agency, Approving the Non-Housing Due Diligence Review” pursuant to Health and Safety Code Sections 34179.5 and 34179.6; and direct staff to transmit the approved DDR and resolution to the State Department of Finance and County Auditor-Controller by January 15, 2013.

#### **BACKGROUND:**

1. On June 29, 2011, as part of adopting the State of California Fiscal Year (FY) 2011-12 budget, the Governor signed two trailer bills, AB X1 26 and AB X1 27, into law. The legislation was effective on June 29, 2011. AB X1 26 eliminated redevelopment agencies as of October 1, 2011. Under AB X1 26 (chapter 5, Statutes of 2011), an Oversight Board was established to oversee the actions of the Successor Agency to the Temple City Redevelopment Agency (Successor Agency).
2. On July 18, 2011, the California Redevelopment Association and League of California Cities filed suit to invalidate AB X1 26 and AB X1 27.

3. On December 29, 2011, the California Supreme Court announced its decision in *CRA v. Matosantos* upholding AB X1 26 as a constitutional exercise of the Legislature's power, but striking down AB X1 27 as unconstitutional.
4. On January 13, 2012, in the absence of any election to the contrary, the City of Temple City (i.e., "City") became the successor entity for the general functions of the Temple City Community Redevelopment Agency.
5. On February 1, 2012, unless urgency legislation or another pending lawsuit intervened, every redevelopment agency in the State of California was dissolved and a successor agency was created for each redevelopment agency.
6. On June 27, 2012, AB 1484 was passed by the legislature. AB 1484 is a clean-up bill to AB X1 26.
7. On August 6, 2012, the Oversight Board adopted Resolution No. OB – 4 allowing the Successor Agency to negotiate a professional services agreement with Vavrinek, Trine, Day & Co., LLP ("VTD") for a DDR in accordance with AB 1484.
8. On January 7, 2013, the Oversight Board received the statutory DDR, received a verbal report from staff and opened and continued public input to January 14, 2013.

### **ANALYSIS:**

There are numerous changes to ABX1 26 as a result of AB 1484, many of which raise new questions that will hopefully be clarified in the next several months.

The major theme of AB 1484 is to divide the wind-down into three stages: 1) Resolving outstanding property tax payment issues from 2011-2012; 2) force payment for distribution to taxing entities of all unencumbered cash from the former agencies; and 3) address real property assets, city/agency loans and bond proceeds.

If the Successor Agency complies with all audit/payment requirements for the unencumbered cash, then a "finding of completion" is issued by the California Department of Finance, which allows the City to attempt to retain and utilize bond proceeds. It is extremely important that the City be able to utilize the Redevelopment Bond proceeds for the Rosemead Boulevard Enhancement Project.

By December 15, 2012, successor agencies must have submitted to the California Department of Finance an Oversight Board approved DDR of all other assets of the former Redevelopment Agency (with the exception of the Housing Assets) that has been prepared by a licensed accountant. Further, the DDR needs to be presented in two separate public meetings of the Oversight Board by January 15, 2013. Due to the volume of information that needed to be reviewed, the December 15, 2012, deadline was not feasible. Staff notified the California Department of Finance about the delay,

but informed them that staff and the independent auditor could meet the January 15, 2013, deadline.

A copy of the DDR has been completed by VTD and is attached for your review. The DDR lists all encumbered and unencumbered assets encumbered by Enforceable Obligations. The Oversight Board is required to hold two public meetings for review of this report.

After submission of the DDR by January 15, 2012, the California Department of Finance has until April 1, 2013 to finalize its review of the submittals, and to determine which assets are not encumbered by Enforceable Obligations and issue a "finding of completion."

### **CONCLUSION:**

In order to ensure the City can utilize the Redevelopment Bond proceeds for the Rosemead Boulevard Enhancement Project, it is imperative the Successor Agency complete a DDR on the unencumbered assets, and receives a "finding of completion" from the California Department of Finance. VTD has completed their review for the unencumbered assets and it is presented for review by the public and Oversight Board.

### **FISCAL IMPACT:**

There is no fiscal impact to the Oversight Board with this action.

### **ATTACHMENTS:**

A. Due Diligence Report for All Other Funds